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Message Text

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13
ACTION EB-03

INFO OCT-01 SS-14 ISO-00 NEA-06 ARA-06 EA-06 EUR-08 AF-04

INR-05 L-01 PM-03 DRC-01 RSC-01 /059 W
---------- 118008
R 140909Z OCT 74
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 8556
INFO AMEMBASSY ABU DHABI
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY TRIPOLI
AMEMBASSY QUITO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMEMBASSY VIENNA

C O N F I D E N T I A L TEHRAN 8632

LIMDIS

E.O. 11652: GDS
TAGS: ENRG, OPEC, IR
SUBJ: NIOC/CONSORTIUM TALKS ON BALANCING MARGIN

REF: TEHRAN 8495

1. CONSORTIUM NEGOTIATING TEAM (REFTEL) RETURNING TO LONDON OCT 10 WITH NO AGREEMENT ON BALANCING MARGIN. TEAM MEMBERS SAID CERTAIN NIOC DEMANDS WRE BYOND THEIR INSTRUCTIONS. IN PARTICULAR NIOC DEMANDED: (A) THAT FULL 60 PERCENT "GOVERNMENT SHARE" OF OIL BE EVALUATED AT 94.846 PERCENT OF POSTED PRICE FOR THIRD QUARTER 1974 FOR PURPOSES OF CALCULATING BALANCING MARGIN (SEE REFTEL) AND (B) THAT CONSORTIUM MEMBERS PAY INTEREST ON SUMS PAID RETROACTIVELY
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TO IRAN BACAUSE OF ADJUSTMENT OF THE BALANCING MARGIN. TEAM MEMBERS

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EXPLAINED LATTER DEMAND AS FOLLOWS: IF ANOTHER PRODUCERS REVISES PARTICIPATION OR BUYBACK ARRANGEMENTS SO AS TO INCREASE ITS AVERAGE TAKE PER BARREL, THEN CORRESPONDING ADDITIONAL PAYMENTS MUST, OF COURSE, BE MADE TO IRAN THOUGH THE BALANCING MARGIN. IF HIGHER PAYMENTS ARE MADE TO THE OTHER PRODUCERS UNDER SUCH ARRANGEMENTS, BEFORE THE CORRESPONDING INCREASE IS PAID TO IRAN, THEN MEMBERS MUST PAY INTEREST ON THE INCREASE DUE IRAN DURING THE FULL PERIOD INCREASED PAYMENTS TO IRAN LAG BEHIND THOSE TO OTHER PRODUCERS.

2. MEMBERS' TEAM LEFT WITHOUT AGREEMENT ON REVISIONS OF BALANCING MARGIN FOR 1973 OR ANY QUARTER OF 1974. THE ISSUE OF IMPLEMENTATION OF THE SEPTEMBER OPEC INCREASE WAS NOT EVEN DISCUSSED, EXCEPT IN A BRIEF, INFORMAL EXCHANGE BETWEEN TEAM AND GOI OPEC REP AMOUZEGAR. AMOUZEGAR, ACCORDING TO TEAM MEMBERS, SAID THE ISSUE WAS "SIMPLE" AND THAT NIOC'S LETTER TO MEMBERS ON THIS SUBJECT WAS "PERFECTLY CLEAR". AMOUZEGAR DROPPED IN ON THE SESSIONS AT THE LAST MINUTE ON OCT 9 AND PRONOUNCED A MORE THAN HOUR-LONG HOMILY ON THE JUSTICE OF IRAN'S POSITION AND THE INGRATITUDE OF MEMBERS IN "FAVORING" THE ARABS OVER IRAN. FEELING OF MEMBERS, ON OTHER HAND, IS THAT THEY HAVE BEEN FAVORING IRAN OVER OTHER GULF PRODUCERS. ONE TEAM MEMBER INDICATED HE WILL RECOMMEND TO THIS COMPANY THAT IT REDUCE LIFTINGS FROM IRAN "MORE OR LESS IN PROPORTION TO ITS REDUCTION IN LIFTINGS ELSEWHERE IN THE GULF".

3. IN SPITE OF THE ABOVE, TEAM CHARACTERIZED SUSPENSION OF TALKS AS "MORE OR LESS AMICABLE" AND SAID THEY WILL RETURN NOV 1 TO RESUME DISCUSSIONS.
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